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Grow the Entrepreneur: Linking Workforce Development, Small Business Development, and Seed Funding in Target Industries

In support of the State of Missouri's goal to target high-growth, high-impact industries to promote economic development, we propose a program supporting job creation in key industries through the development of new small businesses created by less skilled, currently displaced workers. These potential entrepreneurs are often concentrated in areas with traditionally high unemployment, such as rural and minority populations. With a relatively low resource commitment, the proposed program utilizes existing state, local, and federal programs but serves to facilitate and support a three-stage development process, aiding the unemployed entrepreneur to achieve successful self-employment in a viable small business.

This umbrella program would link three stages of development for the potentially self-employed entrepreneur:

- Stage 1: Workforce development is provided in specific skills appropriate for small business employment in key industries. Guided training and development would occur through existing programs at local community colleges, trade schools, and universities.
- Stage 2: After completion of a degree or training program, the potential entrepreneur is instructed in small business formulation and is assisted with an action plan. This would occur through enhanced resources dedicated to the state's Small Business Development Centers and other programs to aid low-income entrepreneurs.
- Stage 3: A final stage of development provides further financial education and seed funding for the new small business. Access to equity would occur through enhanced resources dedicated to a small business equity fund.

The unique contribution of this program is the link between these three stages of development in a comprehensive program ensuring the progression of an individual from unemployed worker to successful small business owner. In addition, the availability of equity is also a key element of the program.

Use of Existing Programs

A current state program would provide the ideal infrastructure for a *Grow the Entrepreneur* program. The University of Missouri Extension's Business Development Program (BDP) currently exists to help Missouri's entrepreneurs succeed in private enterprise through a network of regional offices and business counselors located throughout the state. Its resources include the Career Options Project to assist dislocated workers in information and job training, the Missouri Small Business and Technology Centers that support starting, maintaining, and expanding businesses, and First Step FastTrac, a program assisting entrepreneurs with low- to moderate incomes who are starting or expanding a small business. Additional small business training resources include the Full Employment Council and Small Business Resource Centers sponsored by the SBA. These existing programs could be utilized and reinforced by a consolidation of training with small business development, and most important, linked with a program to ensure adequate venture capital for the small entrepreneur.

Creation of a Missouri Small Business Capital Fund

Currently it is difficult for small businesses in Missouri, especially lower-income entrepreneurs, to gain proper access to funds and capital. There is need for a coordinated, statewide fund pooling a variety of sources to achieve a broader impact on small business development throughout the state. After the small businessperson successfully graduates from one of the training programs at a local community college, trade school, or university, followed by preparation at a Small Business Development Center, we propose entrepreneur access to a coordinated **Missouri Small Business Capital Fund**. This fund will consist of a pool of seed and capital loan monies to be supervised by the Missouri Department of Economic Development Small Business Division or by a nonprofit organization such as the Missouri Partnership.

Potential funds to be coordinated may include the following:

- Missouri Linked Deposit Program, administered by the State Treasury, provides funds deposited in various banks in Missouri, e.g., Commerce Bank in Kansas City. Potentially \$100 million in low-cost funds are now available as small business loans.
- Various local economic development agencies and chambers of commerce across Missouri provide small business loan funds.
- Corporate, private, and family foundations are potential sources of investment.

- Private foundations such as the Ewing Marion Kauffman Foundation participate in grants for micro loan funds and start-up capital loan investments, as well as angel investments.
- Private individual investors and Missouri-based corporations could also be encouraged to invest in the capital fund.

Currently, these sources of capital act and operate independently. While individual communities may benefit from such sources, a coordinated approach through the Missouri Small Business Capital Fund could have a more significant and broader impact across the state. Additionally, this fund could serve to support development in high impact industries. We present a case study in such an industry currently targeted as high-growth in the state: the transportation industry.

A Case Study: Small Trucking Firms in Support of the Transportation Industry

As an example of an occupation suitable for less-skilled workers who could train and form a new small business, we present information for small owner-operated trucking firms composed largely of heavy and tractor-trailer operators. According to the Bureau of Labor Statistics *Occupational Outlook Handbook 2010-11 Edition*, overall future job opportunities for truck drivers is favorable, especially for long-haul drivers, with expected growth in the number of heavy and tractor-trailer truck drivers at 13 percent between 2008 and 2018. In addition to occupational growth, numerous job openings will occur as experienced drivers leave this relatively large occupation to transfer to other fields of work, retire, or leave the labor force. Support for long-haul truck drivers who are owner-operators, i.e., those who purchase or lease trucks and go into business for themselves, is recommended since many owner-operators go out of business from lack of adequate training in accounting and other skills related to small business operation.

Table 1 summarizes the contribution of Missouri small businesses in the trucking industry. While only three percent of all small businesses (defined as self-employed individuals with very small unincorporated businesses) in the state are trucking firms, these firms contribute almost eight percent of the total receipts of all small firms. For individual proprietorships, small trucking firms contribute a notable ten percent of the state's receipts in this category. In terms of employment and wages, Table 2 shows that heavy and tractor-trailer jobs constitute 23 percent of all transportation jobs in Missouri, and this occupation earns hourly wages that are 35.4 percent higher than all Missouri transportation jobs. Mean annual wages are also 23.4 percent higher than other state transportation jobs. Thus investment in the formation of such firms is worthwhile from an economic development standpoint.

A *Grow the Entrepreneur* program would assist a lower-income or unemployed worker to receive training in truck driving and licensing, followed by a program of instruction in the formulation of a business plan. Finally, the Missouri Small Business Capital Fund would provide access to capital to start the owner-operated firm. Continued assistance to assure the survival of the firm would also be made available.

Conclusion

New state initiatives to promote economic development focus on high-impact, target industries, most of which are technology driven and require a highly skilled workforce. In support of these target industries, a consolidation of existing programs to support lower skilled workers and entrepreneurs through a three-stage process of small business formulation would complement the state's development goals while also relieving unemployment in rural and minority populations.

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**TABLE 1: Small Business Activity in Missouri
Truck Transportation (NAICS 484)**

Type of Nonemployer¹ Business	All Missouri Industries: Number of Firms	Trucking: Number of Firms	Trucking: Percent of All Firms
All Establishments	381,644	11,465	3.00%
Corporations	17,206	404	2.35%
Individual Proprietorships	341,806	10,846	3.17%
Partnerships	22,632	215	0.95%
	All Missouri Industries: Receipts	Trucking: Receipts	Trucking: Percent of All Receipts
All Establishments	\$15,545,978	\$1,191,714	7.67%
Corporations	\$1,937,986	\$69,783	3.60%
Individual Proprietorships	\$10,784,051	\$1,087,283	10.08%
Partnerships	\$2,823,941	\$34,648	1.23%

Source: U.S. Census Bureau, 2008 Nonemployer Statistics

1. A nonemployer business is one that has no paid employees, has annual business receipts of \$1,000 or more, and is subject to federal income taxes. Most nonemployers are self-employed individuals operating very small unincorporated businesses, which may or may not be the owner's principal source of income.

TABLE 2: Employment and Wage Estimates, Trucking Occupations

Occupation	Employment: U.S.	Employment: Missouri
All Transportation and Material Moving (SOC 53-0000)	8,844,700	183,430
Truck Drivers, Heavy and Tractor-Trailer (SOC 53-3032)	1,550,930	42,130
Truck Drivers, Heavy and Tractor-Trailer: Percent of All Transportation Occupations	17.5%	23.0%

	Mean Hourly Wage: U.S.	Mean Hourly Wage: Missouri	Mean Annual Wage: U.S.	Mean Annual Wage: Missouri
All Transportation and Material Moving (SOC 53-0000)	\$15.47	\$13.37	\$32,180	\$31,460
Truck Drivers, Heavy and Tractor-Trailer (SOC 53-3032)	\$18.87	\$18.10	\$39,260	\$38,810
Truck Drivers, Heavy and Tractor-Trailer: Wage Differential from All Transportation Occupations	22.0%	35.4%	22.0%	23.4%

Source: U.S. Bureau of Labor Statistics, State Occupational Employment and Wage Estimates, May 2009